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Situation and
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Livestock, Dairy, and Poultry Outlook

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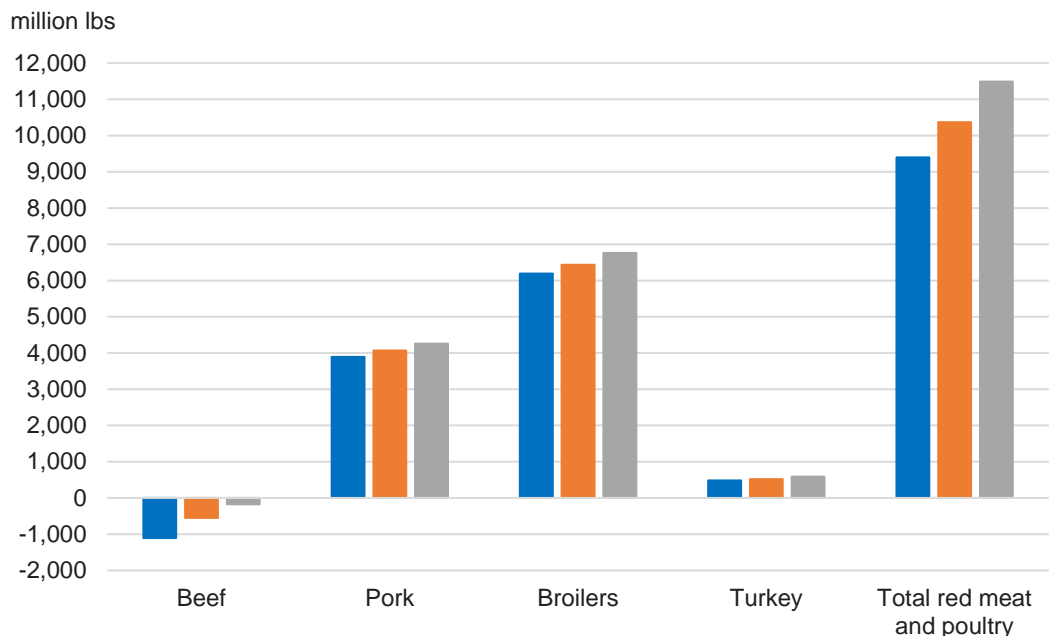
The next Outlook Report release is November 16, 2016

Approved by the World Agricultural Outlook Board.

Net Exports of Total Red Meat and Poultry To Increase in 2016 and 2017

USDA forecasts for net exports (exports minus imports) of red meat and poultry in 2016 and 2017 show progressive increases, largely due to recovery in the U.S. beef sector and expectations of solid growth in poultry exports. U.S. beef exports are expected to increase by almost 9 percent in 2016 and by almost 7 percent next year, as beef sector recovery continues and U.S. production increases. Beef imports are forecast to decline by about 10 percent this year and 11 percent in 2017, as supplies in Oceania tighten with herd rebuilding and larger supplies of U.S. beef become available at lower prices. Net poultry exports (broiler meat and turkey) are forecast to increase both this year (+4 percent) and in 2017 (+5 percent) due to stronger production, driven by lower feed costs and by strong foreign demand for relatively low-priced meat protein.

Red meat and poultry net exports, 2015-2017



Source: World Agricultural Outlook Board, U.S. Dept. of Agriculture.

Cattle/Beef: August placement of cattle on feed was up 15 percent from the same period last year but, the cattle market continues to confound industry watchers as market prices throughout the cattle and beef complex continue to decline.

Dairy: Milk cow number forecasts have been raised from last month's forecast for the remainder of 2016 and for 2017. Higher exports are expected than forecast last month. Forecasts for butter and cheese prices have been lowered, while those for nonfat dry milk and dry whey prices have been raised. The all-milk price forecast for the fourth quarter of 2016 is \$15.85-\$16.25 per cwt, a reduction from \$17.25-\$17.75 forecast last month. The all-milk price forecast for 2017 is \$15.55-\$16.45, a reduction from \$16.15-\$17.15 forecast last month.

Pork/hogs: The September *Quarterly Hogs and Pigs* report showed record-high September 1 inventories and a record-high litter rate for the June-August pig crop. These metrics, taken together with strong producer farrowing intentions, foreshadow production increases and lower hog prices in 2017.

Poultry: Broiler production forecasts were reduced for 2016 and 2017 due to slower than expected growth in bird weights, while forecast egg production was increased. Exports for broilers, turkeys, and eggs were up in August to the highest levels since avian influenza occurred in millions of layers and turkeys in 2015. Price forecasts were reduced across broilers, turkeys, and eggs for 2016 and reduced for broilers and eggs for 2017.

August Placements 15 Percent Higher

The September *Cattle on Feed* report released by USDA estimated cattle in feedlots with a capacity of 1,000-plus head totaled 10.1 million head, up 1 percent from the previous year. Placements of cattle on feed during August totaled 1.88 million head, up 15 percent from the same period last year. Average placement weights were higher than last year, likely due to cattle being held on pasture longer during the first half of the year. Cattle placed at weights heavier than 800 pounds were up 28 percent from July and 21 percent year over year. The absence of a mid-year *Cattle* report creates uncertainty as to supplies of feeder cattle outside feedlots, but placements are assumed to remain relatively large for the remainder of the year. However, declining fed cattle prices and reduced feeder cattle margins may also affect the pace of near-term cattle on feed placements.

Fed cattle marketed during August totaled 1.87 million head, up 18 percent from the same period last year. The robust August marketing largely reflects the increased placement during the first part of the year.

September Prices Lower Throughout the Cattle and Beef Complex

The cattle market continues to decline as large supplies of cattle and generally weak wholesale beef prices pressure the cattle complex. Medium-frame feeder steers in Oklahoma City averaged \$134.08 cwt in September, down 7 percent from August, and the lowest levels since September 2011. Cutter-cow prices have also seen sharp declines, with the live equivalent of the 90-percent lean, 500-plus-pounds cows falling to less than \$70.00 cwt in late September. Indications are that—given the increased supply of slaughter animals — prices will remain weak in the near-term.

Fed cattle prices have also trended lower. The USDA 5-area fed steer price declined throughout the third quarter, falling to \$105.90 in September, the lowest since January 2011. Given the healthy supply of cattle on feed in the first two quarters of 2016, the downward pressure on fed cattle prices is expected to continue in the fourth quarter. The third quarter 2016 5-area fed steer price averaged \$113.26 cwt. Lower cattle prices are slowly trickling into the retail beef market. The August Choice retail beef price was quoted at \$5.92 per pound. Major components of the retail beef market continued to decline in September. About one-third of the ERS Choice retail beef price is determined by ground beef prices; these have trended downward since this summer.

Beef Exports Strong in August

U.S. exports of beef in August were 228 million pounds, almost 30 percent higher than a year ago. Higher exports this year are being largely driven by higher beef production and lower prices in the United States and lower production in competitor countries. Since last year, U.S. beef production has increased and product prices have declined as the beef industry expands after multi-year drought in major beef-producing States. Lower U.S. beef prices make U.S. beef products more competitive abroad, at a time when Australia and New Zealand production declines as their production cycles bottom out.

Exports to the 10 largest foreign destinations for exported U.S. beef are summarized in the table below. U.S. beef gained market share in Asia, in particular, in August, as lower prices enhanced competitiveness of U.S. beef. Shipments to NAFTA-partner countries

were mixed: exports to Canada were more than 14 percent lower than a year ago, on increased production and lower domestic prices in Canada. Exports to Mexico in August were more than 30 percent higher than a year ago, but the higher percent change is somewhat a reflection of a recovery from last year's lower levels. With increased U.S. beef production and lower resulting beef prices, Mexican demand for U.S. beef appears to be recovering.

U.S. beef exports are expected to be 660 million pounds in the third quarter (+22 percent higher than a year earlier), 655 million pounds in the fourth quarter (+10 percent higher than in the fourth quarter of 2015), and 2.47 million pounds for 2016, more than 9 percent greater than 2015.

U.S. beef exports: Volumes and trade shares of the 10 largest foreign destinations, August 2015 and 2016

	Country	Exports August 2015	Exports August 2016	Percent change	Trade share August 2015	Trade share August 2016
		(mil. lbs)	(mil. lbs)	(2016/2015)	%	%
	World	176	228	29.5		
1	Japan	43	61	43.1	24	27
2	South Korea	27	46	70.4	15	20
3	Mexico	29	37	30.3	16	16
4	Canada	26	22	-14.3	15	10
5	Hong Kong	14	19	35.6	8	8
6	Taiwan	12	16	25.1	7	7
7	Netherlands	4	3	-6.5	2	1
8	Chile	2	3	51.5	1	1
9	Philippines	3	3	-2.5	2	1
10	Guatemala	1	2	53.3	1	1

Source: U.S. Department of Agriculture, Economic Research Service.

Beef Imports Continued Year-Over-Year Lower in August

U.S. beef imports in August were 263 million pounds, 16 percent below a year ago. Most of the decline is attributable to sharply lower imports from both Australia and New Zealand—51 percent and 23 percent, respectively. Beef production in both countries has fallen as producers rebuild herds. In addition, higher U.S. cow slaughter and abundant supplies of domestic feed cattle end-cuts are likely pressuring demand for imported grinding meat. Imports from Canada and Mexico, on the other hand, were higher than a year ago. Imports from Mexico were 31 percent higher than in August 2015, and shipments from Canada were almost 15 percent above a year ago. Weaker Canadian and Mexican exchange rates vis-à-vis the U.S. dollar and lower domestic prices from stronger NAFTA beef production largely explain strong year-over-year U.S. demand for Mexican and Canadian beef.

Live Cattle Imports Down 21 Percent Year Over Year

The United States imported 98,209 head of cattle in August, 18 percent below the same period last year. Though live cattle imports from Canada were up about 1 percent in August, declines from Mexico were almost 33 percent lower. Imports began to decline around May, at the same time that U.S. feeder cattle prices began to decline. Declining U.S. feeder cattle prices and fairly good pasture conditions in Mexico are expected to continue to weigh on imports. Live imports in 2016 are forecast at 1,750 thousand head, down 12 percent from last year.

U.S. Live Cattle Imports 2015 and 2016

Country	2015	Jan.-Aug. 2015	Jan.-Aug. 2016	Year-over-year percent change
Total cattle imports	1,984,568	1,365,682	1,130,132	-17.2%
Mexico	1,154,599	772,705	603,091	-22.0%
Canada	829,969	592,977	527,041	-11.1%

Source: U.S. Department of Agriculture, Economic Research Service.

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Recent Developments in Dairy Markets

After month-to-month increases of 3,000 head in June and 14,000 head in July, milk cow numbers increased by an additional 16,000 head in August, to 9.360 million head. This was 45,000 head more than August 2015. The increase in milk cow numbers likely reflects growth in herds for expanding dairy product facilities. In addition, low cull-cow prices in recent months have likely played a role. In 2015, the national average price for cutter cows, live-weight equivalent,¹ was \$99.56 per cwt. By the third quarter of 2016, the price had fallen to \$73.16 per cwt. With low cull-cow prices, dairy farmers may cull cows at a lower rate, breed a smaller proportion of their herds to beef bulls, and use sexed semen more extensively.

Milk per cow in August averaged 1,895 pounds, 27 pounds above August 2015. Altogether, U.S. milk production in August totaled 17.7 billion pounds, up 1.9 percent from August 2015.

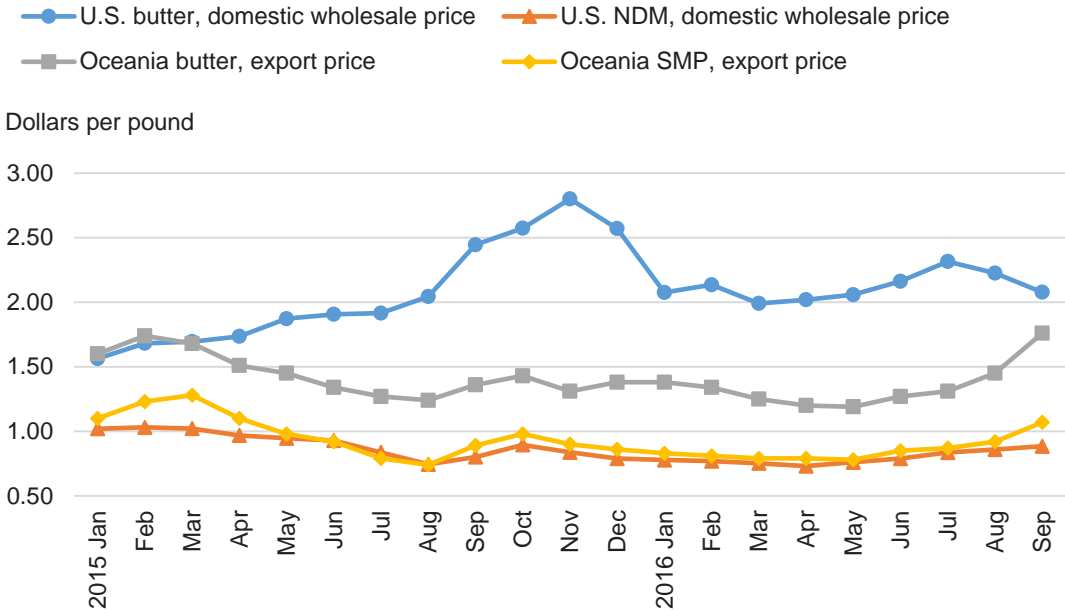
Dairy product exports increased by 0.4 billion pounds on a skim-solids milk-equivalent basis from July to August. Notably, exports of nonfat dry milk increased from 106 million pounds in July to 116 million pounds in August, and exports of dry whey increased from 37 million to 45 million pounds. On a milk-fat milk-equivalent basis, exports declined slightly from July to August. Imports increased from July to August by about 0.1 billion pounds on both milk-fat and skim-solids bases, with notable increases in imports of butterfat products, milk protein concentrate, and whole milk powder.

Wholesale price movements for dairy products were mixed in September. The average butter price, as reported in the USDA National Dairy Products Sales Report (NDPSR) fell from \$2.128 per pound for the week ending September 3 to \$2.049 for the week ending October 1. Over the same period, the NDPSR price of cheddar cheese 40-pound blocks fell from \$1.825 to \$1.668 per pound, while the NDPSR price of 500-pound barrels (adjusted to 38 percent moisture) fell from \$1.876 to \$1.595. Chicago Mercantile Exchange (CME) prices for the week ending October 7 fell to even lower levels, with weekly average prices for butter, 40-pound blocks of cheddar cheese, and 500-pound barrels of cheddar cheese falling to \$1.857, \$1.536, and \$1.481 per pound, respectively. The NDPSR prices for nonfat dry milk (NDM) and dry whey rose from \$0.853 to \$0.906 per pound and from \$0.298 to \$0.314 per pound, respectively, from the week ending September 3 to the week ending October 1.

¹ The national price for dressed domestic cutter cows (90- percent lean, 500 pounds and up), as reported by USDA Agricultural Marketing Service, is multiplied by 49.5 percent to estimate a live-equivalent price.

Relationships between U.S. domestic prices and international export prices have changed substantially in recent months. In June, the U.S. average wholesale price for butter, as reported by USDA Agricultural Marketing Service (AMS), was \$0.89 per pound higher than the Oceania export price reported by AMS. By September, the gap had narrowed to \$0.32 per pound. The U.S. domestic wholesale price for NDM averaged about \$0.05 per pound higher than the Oceania export price for January through August, but in September, the Oceania export price was \$0.19 higher than the U.S. domestic price.² However, the gap may soon narrow; the average price of skim milk powder fell by 3.7 percent to \$1.00 per pound on the Global Dairy Trade auction (GDT) of October 4. Changes in GDT prices sometimes lead price changes in the broader global market.

U.S. domestic wholesale prices and Oceania export prices, butter and NDM/SMP



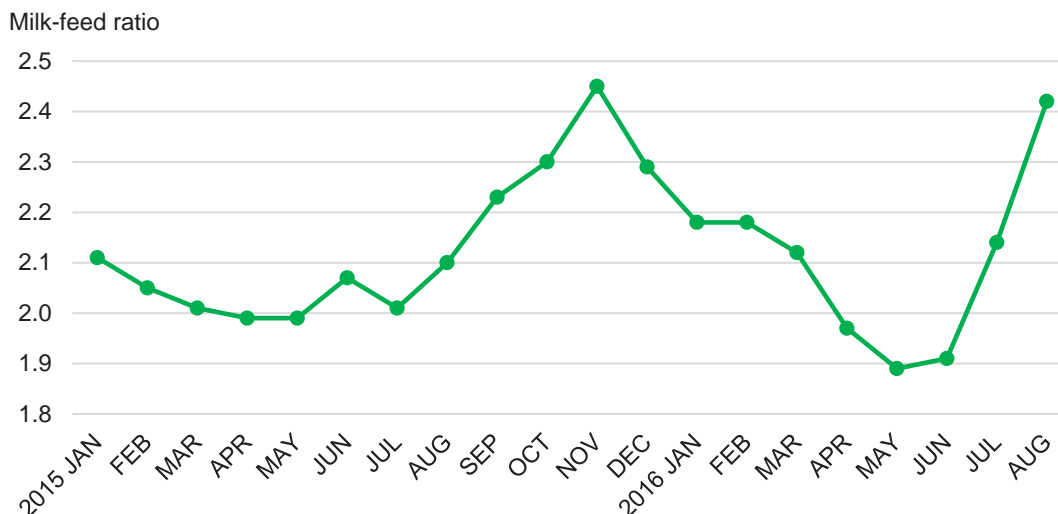
Note: NDM=nonfat dry milk, SMP=skim milk powder.
Sources: USDA Agricultural Marketing Service, National Dairy Products Sales Report and Dairy Market News.

Situation and Outlook for Feed Prices

Feed prices have been low relative to milk prices in recent months. The milk-feed ratio, seen in the chart below, in August was 2.42, a considerable increase from 1.91 in June and 2.14 in July. Feed prices are expected to remain low for the remainder of 2016 and for 2017. The 2016/17 corn price forecast is \$2.95-\$3.55 per bushel, a 5-cent increase on both ends of the range from last month’s forecast. The 2016/17 soybean meal price forecast is \$300-\$340 per short ton, unchanged from last month. The national average price for alfalfa hay decreased from \$140 per short ton in July to \$138 in August, \$23 lower than August 2015.

² While rough comparisons of U.S. domestic prices and foreign export prices are useful, there are some issues in comparing these prices. Domestic prices are recorded when the product is shipped out and transfer of ownership has occurred; they do not include forward contracted prices. Foreign export prices are recorded when the prices are negotiated, with the product perhaps shipped in a later month. In addition, there are differences in U.S. NDM standards and international skim milk powder (SMP) standards that may cause differences in price levels.

Milk-feed ratio



Note: The milk-feed ratio is the estimated pounds of feed (16 percent protein) equal in value to one pound of farm milk.

Source: USDA National Agricultural Statistics Service.

Dairy Forecasts for the Remainder of 2016

The milk production forecast for the fourth quarter of 2016 is 52.6 billion pounds, 0.3 billion pounds higher than last month's forecast. Due to recent gains in milk cow numbers, expansion of dairy manufacturing facilities, higher milk-feed ratios, and weakness in cull-cow prices, the number of milk cows has been raised for the second half of the year. With milk cows of 9.360 million and 9.380 million head expected for the third and fourth quarters, respectively, the dairy herd would be the largest in 20 years. The 2016 forecast for the milk herd is 9.345 million head, 20,000 more than forecast last month. The 2016 yield per cow forecast is 22,755 pounds, unchanged from last month's forecast. For the year, the milk production forecast is 212.7 billion pounds, 0.5 billion pounds more than last month.

Export forecasts for 2016 are higher than last month, based on higher nonfat dry milk (NDM)³ and whey product exports in August, coupled with higher international prices arising from relatively low milk production in Oceania and the European Union (EU). On a milk-fat milk-equivalent basis, the 2016 export forecast is 9.0 billion pounds, 0.3 billion pounds higher than forecast last month. Exports on a skim-solids milk-equivalent basis are adjusted to 38.5 billion pounds for the year, an increase of 0.9 billion pounds from last month's forecast. Imports on a milk-fat basis for 2016 are now forecast at 7.2 billion pounds for the year, 0.2 billion pounds higher than last month. On a skim-solids basis, the import forecast is now 6.7 billion pounds, an increase of 0.1 billion pounds.

Ending stocks for 2016 have been lowered 0.4 billion pounds on a milk-fat basis and 0.3 billion pounds on a skim-solids basis due to lower stocks in August and expected strength in domestic and international demand. With expectations of favorable economic conditions and lower prices for butter and cheese, the forecast for domestic use on a milk-fat basis has been raised to 209.7 billion pounds for the year, 0.7 billion pounds more than last month's forecast. Domestic use on a skim-solids basis is forecast 0.4 billion pounds

³ Export data for NDM also includes skim milk powder (SMP).

higher for the fourth quarter, but 0.1 billion pounds lower for the year, as domestic use in the third quarter is expected to be lower than last month's forecast.

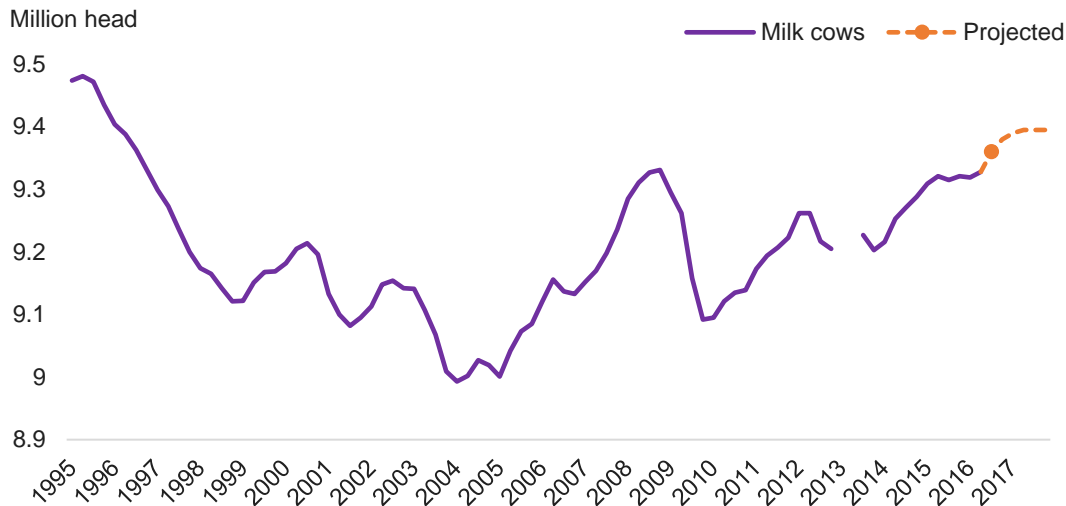
With recent declines in cheese prices, the fourth-quarter cheese price forecast has been lowered to \$1.505-1.545 per pound. Similarly, the butter price forecast for the fourth quarter has been lowered to \$1.825-1.895 per pound due to recent price weakness. In contrast, fourth-quarter price forecasts for NDM and dry whey have been raised to \$0.925-0.965 and \$0.310-0.330 per pound, respectively, due to recent price strength and higher expected exports.

With the lower cheese price forecast, the Class III price forecast has been lowered to \$13.95-\$14.35 per cwt for the fourth quarter and \$14.30-\$14.40 for the year. With the lower butter price forecast outweighing the higher NDM price forecast, the Class IV price forecast has been lowered to \$13.60-\$14.10 for the fourth quarter and \$13.60-\$13.80 for the year. The all-milk price forecast for the fourth quarter is \$15.85-\$16.25 per cwt, a reduction from \$17.25-\$17.75 forecast last month. The 2016 all-milk price forecast is \$15.80-15.90 per cwt, a reduction from \$16.10-\$16.30 per cwt forecast last month.

Dairy Forecasts for 2017

The 2017 forecast for milk cows has been raised to 9.395 million head. Expansion of the dairy herd is expected to continue into the second quarter of 2017. Milk cow numbers are expected to stabilize thereafter due to relatively low milk prices toward the end of 2016 and the beginning of 2017. (Dairy producers typically respond to price changes with a lag of several months.) The milk per cow forecast is unchanged, at 23,135 pounds for the year. Milk production for 2017 is now forecast at 217.3 billion pounds, 1.2 billion pounds higher than last month's forecast. If realized, this would be a 2.4 percent year-over-year increase (adjusted for the 2016 leap year).

Number of milk cows (average per quarter)



Source: USDA National Agricultural Statistics Service (NASS).
 Note: NASS did not publish milk cow numbers for the first two quarters of 2013.

With relatively low production in Oceania and the EU bringing about higher dairy product prices abroad than previously expected, U.S. dairy exports in 2017 are expected to increase, especially for NDM and whey products. Forecasts for exports have been raised to 9.1 billion pounds on a milk-fat basis (0.2 billion pounds higher than forecast last

month) and 39.7 billion pounds on a skim-solids basis (1.6 billion pounds higher than forecast last month). If the skim-solids export forecast is realized, this would break the 2014 record of 39.0 billion pounds. The 2017 forecast for imports on a milk-fat basis is 7.1 billion pounds, higher than last month's forecast but a slight year-over-year decline from 2016. Similarly, the 2017 forecast for skim-solids basis imports has been raised to 6.4 billion pounds, 0.1 billion pounds higher than last month but a decline from 2016.

The ending stocks on a milk-fat basis for 2017 is 12.8 billion pounds, 0.3 billion pounds lower than last month's forecast. On a skim-solids basis, ending stocks are forecast 0.1 billion pounds lower, at 13.2 billion pounds. With expectations for a strengthening economy and lower expected prices for butter and cheese, domestic use on a milk-fat basis in 2017 is expected to be 1.1 billion pounds higher than previously forecast, at 215.0 billion pounds. However, with increased competition from export markets pushing domestic prices for NDM higher, the domestic use forecast on a skim-solids basis has been lowered this month to 183.3 billion pounds, 0.5 billion pounds lower than forecast last month.

With current price weakness for butter and cheese and a higher milk production forecast, butter and cheese price forecasts for 2017 have been lowered to \$1.855-1.975 and \$1.510-\$1.600 per pound, respectively. Stronger expected exports of NDM and dry whey products contribute to higher price forecasts of \$0.925-\$0.995 and \$0.330-\$0.360 per pound, respectively.

The price forecast for Class III milk has been lowered to \$14.20-15.10 per cwt, as decreases in cheese prices are expected to outweigh strength in whey prices. The Class IV price forecast has also been lowered to \$13.70-14.70 per cwt for the year as lower expected butter prices outweigh higher expected NDM prices. The all milk price for 2017 is \$15.55-16.45 per cwt, a reduction from \$16.15-17.15 forecast last month.

USDA Announces Cheese Purchase and Releases Report on Impacts of Trade Agreements

In an October 11 press release, USDA announced it would offer to purchase \$20 million of cheese to reduce commercial inventories and assist food banks and other food assistance recipients. The press release also referenced a new study by the USDA Office of the Chief Economist concerning positive effects of trade agreements on the U.S. dairy industry, including potential gains from the Trans Pacific Partnership. For more information, see http://www.usda.gov/wps/portal/usda/usdahome?navid=LATEST_RELEASES.

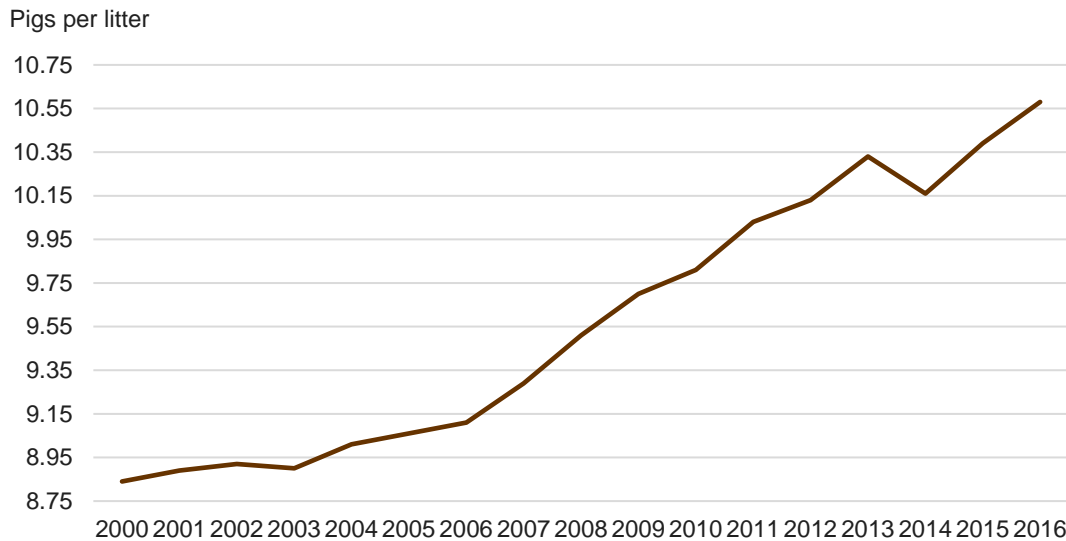
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September Hogs and Pigs Report Shows Very Large Numbers

The *Quarterly Hogs and Pigs* report released by USDA on September 30, 2016 showed across-the-board higher September 1 inventories and virtually unchanged producer farrowing intentions for the next 2 quarters. This report foreshadows significantly higher hog numbers—with lower hog price implications, all else equal—as the industry moves into 2017. The September 1 inventory of hogs and pigs was a record for the quarter: just shy of 71-million head, 2 percent higher than a year ago. The inventory of breeding animals was 1 percent higher than on September 1, 2015. Breeding inventory expansion is a strong indicator of industry intention to increase future production.

The litter rate calculated for the June-August pig crop was the highest ever achieved by the U.S. pork industry. At 10.58 pigs per litter—1.8 percent above the litter rate of a year earlier—industry productivity has largely recovered from Porcine Endemic Diarrhea Virus-related disease problems that caused litter rates to dip in 2014.

June-August litter rates, 2000-2016



Source: National Agricultural Statistics Service, U.S. Dept. of Agriculture.

The *Quarterly Hogs and Pigs* report publishes pork producers' farrowing intentions for quarters 3 months and 6 months into the future. This means that farrowing intentions for the June-August quarter are first reported in March, and then again in June, before the final farrowing number is reported in the September report. Producer farrowing intentions for the June-August quarter this year increased progressively from March (2.912 million head), to June (2.949 million head). The actual farrowing number—3.024 million head—was about equal to the farrowings reported for the June-August quarter in the September 2015 report.

The September 2016 report indicated that the second set of producer farrowing intentions for the fall quarter (September-November) are about equal to those a year ago, at 2.928 million head; this, however, was an increase from first intentions for this quarter, reported in the June report at 2.896 million head. The September report also published the first set

of producer intentions for the winter quarter (December 2016-February, 2017) which indicated that producers intend to farrow fractionally fewer sows than a year ago.

Fourth-Quarter 2016 Pork Production Expected To Be Record-High

The September *Quarterly Hogs and Pigs* report included an upward revision of the winter 2016 pig crop (December 2015-February 2016), to better align it with reported slaughter data. More than 500 thousand head were added to the winter pig crop, which accounts for most of the significantly higher slaughter numbers observed in the July-September quarter. As reported September report, the March-May pig crop—which typically becomes slaughter-ready in the fall and early winter months—was about 3 percent higher than in the same quarter of 2015. Pork production in the fourth quarter is expected to be record-large at 6.6 billion pounds, almost 3 percent more than a year earlier.

Larger Hog Supplies Point to Lower Hog Prices

Strong farrowing intentions and increasing litter rates suggest accelerated pork production in 2017. First-quarter 2017 pork production is expected to be 6.4 billion pounds, 3 percent above first-quarter production of this year. Second-quarter pork production is expected to be 6.2 billion pounds, 3 percent higher than second-quarter 2016. Third-quarter 2017 pork production is forecast at 6.4 billion pounds, 5 percent higher than in the third quarter of 2016. Total pork production in 2017 is expected to be almost 4 percent greater than production in 2016, at 25.9 billion pounds. This means that the U.S. pork industry is expected to produce almost 1 billion additional pounds of pork next year.

Larger hog supplies will almost certainly be reflected in sharply lower hog prices, both in the fourth quarter of this year and in 2017. Prices of 51-52 percent lean hogs are expected to average \$36-\$38 per cwt in the fourth quarter, 17 percent below a year earlier. In 2017, prices in the first quarter are forecast at \$38-\$40 per cwt, 13 percent below the first quarter of this year. Second-quarter prices are expected to average \$43-\$47 per cwt, 16 percent below the same period in 2016. Third-quarter hog prices should average \$42-\$46 per cwt, 11 percent below 2016. Prices in 2017 are expected to average \$39-\$43 per cwt, about 11 percent below prices in 2016.

August Exports Up 11 Percent Year Over Year

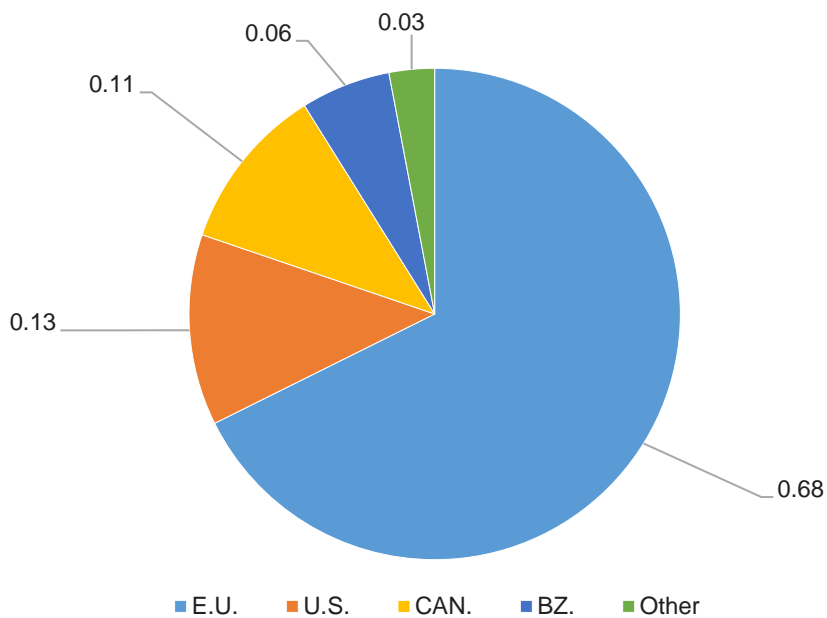
U.S. pork exports were 416 million pounds, an increase of over 11 percent compared to August of last year. The 10 countries to which the United States exported the largest volumes of pork in August are listed below. The listing clearly indicates that exports to China\Hong Kong have slowed significantly from May, when U.S. exports were almost double August shipments of 37 million pounds. Chinese pork import data for August, reported on the Global Trade Atlas Navigator, shows a now-familiar structure with European product accounting for almost 70 percent of Chinese imports while U.S. pork held a 13-percent share. The figure below shows that particularly in the last year or 2, the exchange rate value of the U.S. dollar and the Euro has made European product more competitive in most major pork-importing countries.

U.S. pork exports: Volumes and trade shares of the 10 largest foreign destinations, August 2015 and 2016

	Country	Exports August 2015	Exports August 2016	Percent change	Trade share August 2015	Trade share August 2016
		(mil. lbs)	(mil. lbs)	(2016/2015)	%	%
	World	374	416	11.4		
1	Mexico	131	137	5.2	35	33
2	Japan	89	110	23.1	24	26
3	Canada	44	44	1.1	12	11
4	China/Hong Kong	28	37	30.6	8	9
5	South Korea	17	24	36.7	5	6
6	Australia	14	14	-4.3	4	3
7	Colombia	9	7	-17.2	2	2
8	Philippines	8	7	-22.3	2	2
9	Dominican Republic	4	6	74.8	1	2
10	Chile	4	6	42.2	1	1

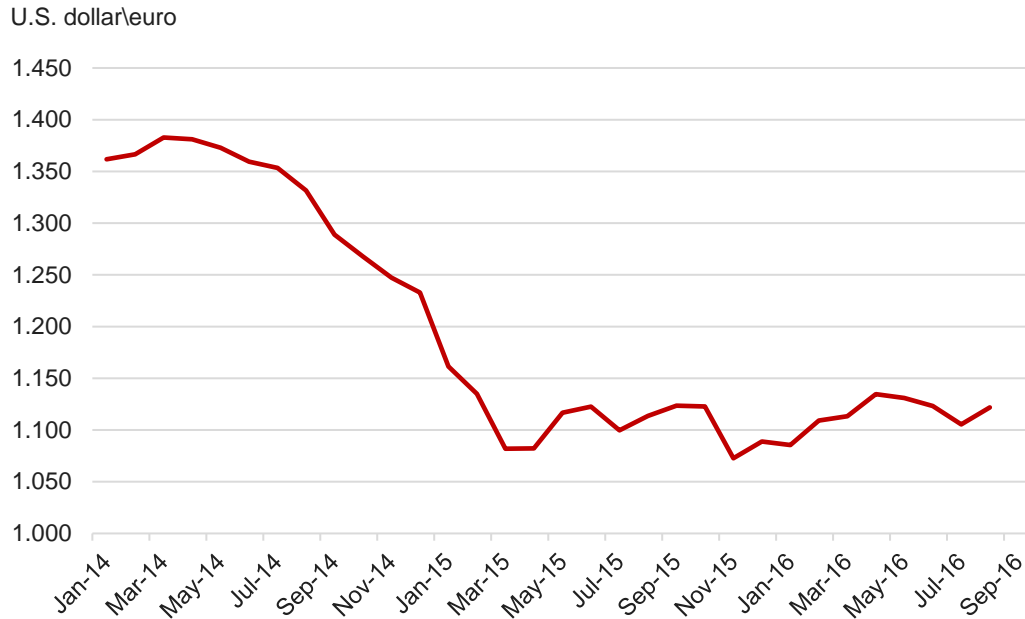
Source: U.S Dept. of Agriculture, Economic Research Service.

Shares of Chinese pork imports in August 2016



Source: Global Trade Atlas Navigator.

Monthly exchange rate, U.S. dollar-Euro, January 2014-Sept. 2016



Source: Board of Governors of the Federal Reserve Board.

The USDA\Foreign Agriculture Service Export Sales Reporting system <http://apps.fas.usda.gov/esrquery/> indicates that exports sales to China in September were 8.2 percent lower than they were in August. Lower U.S. pork prices, however, are likely to enhance competitiveness in most major U.S. export markets. U.S. pork exports are expected to be 1.25 billion pounds in the third quarter of this year (7 percent higher than the same period in 2015), and 1.4 billion pounds in the fourth quarter (10 percent higher than a year earlier).

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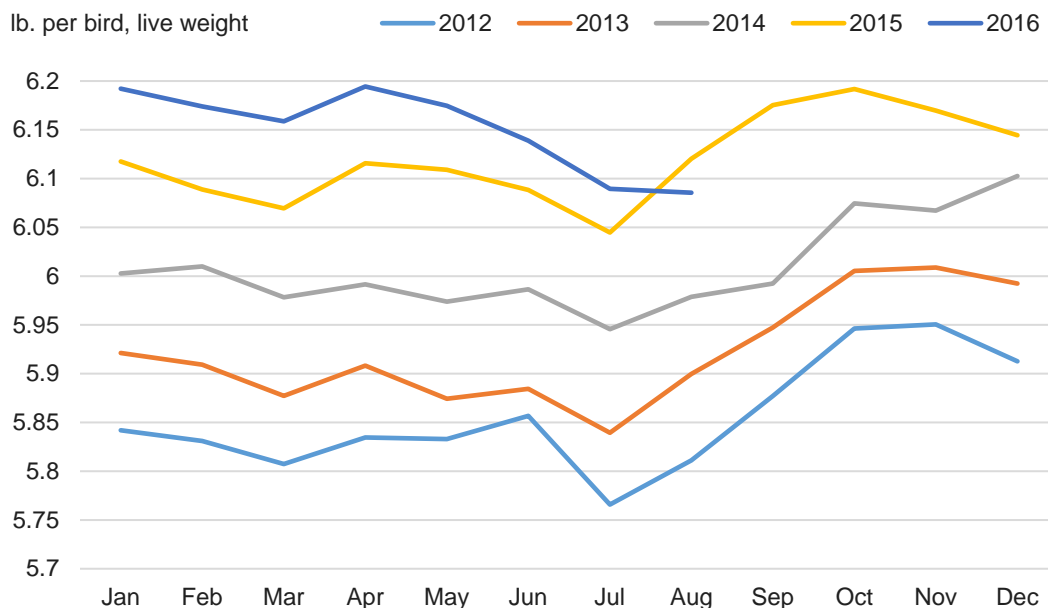
Broiler Production Forecast Reduced

Estimated broiler production for the third quarter of 2016 was lowered 100 million pounds due to lower than expected weekly production in September. This would be the first year-over-year decline for any quarter since 2012. August's average broiler weight at slaughter experienced a counter-seasonal decline as quality concerns associated with "woody breast" likely limited bird weights (see figure below, "Monthly average broiler weights at slaughter"). Broiler hatcheries have been increasing the number of broiler chicks hatched, but this is not expected to compensate for the effect of lower than expected weights.

Whole-broiler prices (national composite) started October weaker than last year and were below 71 cents per pound for the week ending October 7. This contributed to a reduction of the fourth-quarter price forecast to 74-78 cents per pound. The 2017 price forecast was lowered to 78-85 cents per pound. These broiler prices are expected to weaken producer margins in late 2016 and early 2017 and to limit production growth. The forecast for fourth-quarter production was reduced by 60 million pounds, and the 2017 forecast was reduced by 355 million pounds.

Broiler exports in August reached their highest level since March of 2015. Higher exports contributed to lower month-ending stocks of broiler meat for August, down 52 million pounds from July.

Monthly average broiler weights at slaughter, 2012-2016



Source: USDA, National Agricultural Statistics Service (NASS), https://quickstats.nass.usda.gov/?source_desc=CENSUS.

Turkey Production Continues Strong, August Exports Up

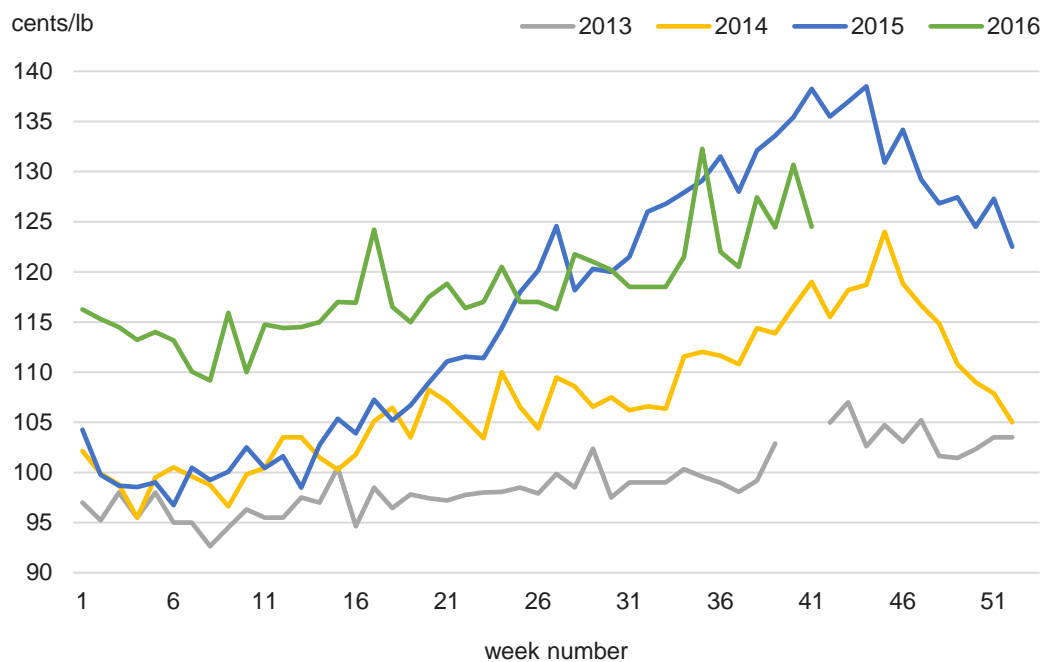
Turkey production through August continued strong, reaching the highest level for the month since 2008 on a per day basis. Although live bird weights reached a record level for August, they were only marginally higher than 2014, and per day slaughter was a more

significant factor in driving production growth. The August placement of poult for grow-out also reached the highest level since 2008.

Whole-hen prices remain well above the trend prior to avian influenza in 2015, while week-to-week prices have been up and down (see figure below, “Weekly prices for whole turkey hens”). Hen stocks in cold storage as of August 31 were down 13 percent from a year earlier; however, whole toms in cold storage were 9 percent higher. The fourth-quarter forecast for hen prices was lowered to 120-124 cents per pound.

Turkey exports in August attained their highest level since December 2014. Higher future exports would likely reduce the stocks of non-whole bird turkey meat in cold storage, which were 33 percent above last year as of August 31. Higher exports could also increase prices for dark meat, such as tom drumsticks, thighs and wings, items which were at multi-year lows as of August.

Weekly prices for whole turkey hens, 2011-2016



Source: USDA, Agricultural Marketing Service (AMS), <https://www.ams.usda.gov/mnreports/pywturkey.pdf>.

Egg Production Forecast Slightly Increased, August Exports Up

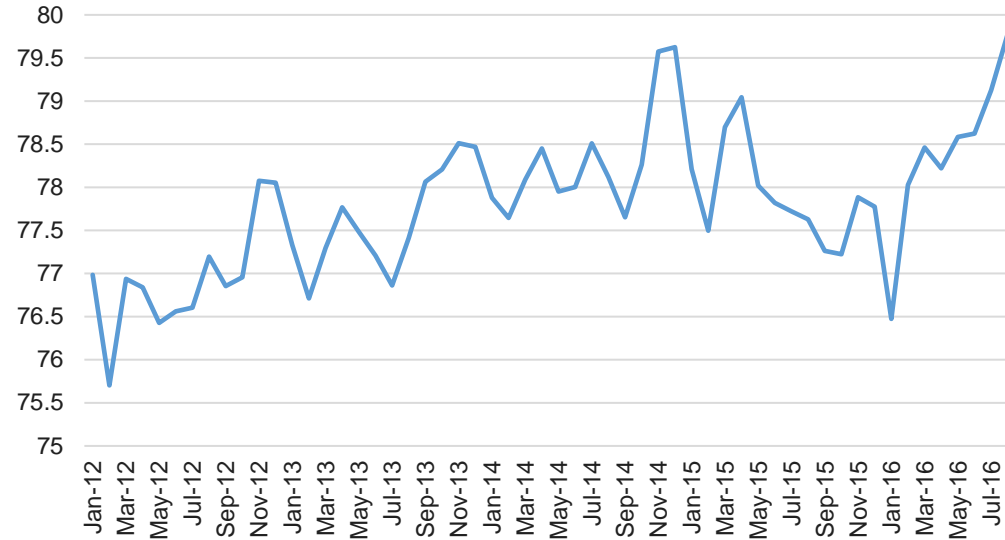
During August, the size of the table-egg laying flock appeared to reverse a slight downward trend with the first increase in the average number of layers since March. The daily number of eggs per table egg layer was a record 79.8 eggs per 100 layers in August, up 2.8 percent from a year ago (see figure below, “Monthly table eggs per layer per day”). The 2016 production forecast for all eggs was raised 27 million dozen eggs, and the 2017 forecast was raised 55 million dozen eggs.

Total egg and egg product exports for August were at the highest level since March 2015 on a shell-equivalent basis. Mexico accounted for 35 percent of August exports, while Japan accounted for 9 percent.

Table egg prices have been very weak, declining to 52 cents per dozen on the New York market for the week ending October 7. This was about 60 percent lower than at the same time of the year in 2014, prior to HPAI. A seasonal increase is expected in the fourth quarter, but expectations have been reduced somewhat, with the price forecast lowered to 78-82 cents per dozen. The price forecast for 2017 was reduced to average 93-100 cents per dozen.

Monthly table eggs per layer per day

Eggs/100 layers/days



Source: USDA, National Agricultural Statistics Service (NASS), https://quickstats.nass.usda.gov/?source_desc=CENSUS.

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Dairy Data, <http://www.ers.usda.gov/data-products/dairy-data.aspx>, includes data from multiple sources concerning supply, demand, and prices for the dairy industry.

Related Websites

Livestock, Dairy, and Poultry Outlook, <http://www.ers.usda.gov/publications/ldpm-livestock,-dairy,-and-poultry-outlook.aspx>
Animal Production and Marketing Issues, <http://www.ers.usda.gov/topics/animal-products/animal-production-marketing-issues.aspx>
Cattle, <http://www.ers.usda.gov/topics/animal-products/cattle-beef.aspx>
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U.S. red meat and poultry forecasts

	2013					2014					2015					2016					2017				
	I	II	III	IV	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual	I	II	III	Annual	
Production, million lb																									
Beef	6,175	6,513	6,609	6,423	25,720	5,866	6,184	6,179	6,021	24,250	5,665	5,856	6,068	6,109	23,698	5,935	6,187	6,445	6,400	24,967	6,130	6,470	6,670	25,880	
Pork	5,775	5,516	5,622	6,274	23,187	5,784	5,504	5,424	6,131	22,843	6,162	5,925	5,958	6,457	24,501	6,230	5,962	6,095	6,625	24,912	6,440	6,415	6,415	25,865	
Lamb and mutton	38	41	40	38	156	37	43	38	38	156	38	39	37	37	150	38	39	36	39	152	38	39	37	152	
Broilers	9,144	9,466	9,683	9,537	37,830	9,299	9,618	9,835	9,814	38,565	9,718	10,021	10,372	9,937	40,048	10,039	10,253	10,350	10,100	40,742	10,150	10,450	10,650	41,650	
Turkeys	1,459	1,486	1,440	1,420	5,806	1,332	1,428	1,478	1,517	5,756	1,429	1,389	1,352	1,458	5,627	1,435	1,520	1,525	1,580	6,060	1,445	1,525	1,550	6,135	
Total red meat & poultry	22,743	23,183	23,563	23,844	93,333	22,469	22,934	23,111	23,671	92,185	23,157	23,382	23,940	24,150	94,630	23,830	24,117	24,599	24,992	97,439	24,353	24,798	25,484	100,319	
Table eggs, mil. doz.	1,733	1,746	1,775	1,829	7,083	1,794	1,823	1,852	1,895	7,364	1,809	1,712	1,646	1,979	7,146	1,761	1,796	1,830	1,860	7,247	1,830	1,835	1,835	7,410	
Per capita disappearance, retail lb 1/																									
Beef	13.7	14.5	14.3	13.9	56.3	13.1	14.0	13.7	13.4	54.1	13.1	13.6	13.9	13.3	53.9	13.6	13.9	14.1	13.8	55.4	13.5	14.2	14.2	55.6	
Pork	11.5	11.3	11.4	12.7	46.8	11.2	10.8	11.0	12.8	45.8	12.2	11.8	12.1	13.5	49.7	12.6	11.8	12.2	13.3	49.9	12.9	12.1	12.7	51.4	
Lamb and mutton	0.3	0.2	0.2	0.2	0.9	0.2	0.2	0.2	0.3	0.9	0.2	0.3	0.2	0.3	1.0	0.3	0.3	0.2	0.2	1.0	0.2	0.2	0.2	0.90	
Broilers	20.0	20.3	21.0	20.5	81.8	20.3	20.8	21.2	21.1	83.3	21.4	22.1	23.3	22.1	88.9	22.5	22.7	22.8	21.9	89.9	22.5	22.8	23.1	90.9	
Turkeys	3.7	3.6	4.0	4.8	16.0	3.4	3.5	3.9	5.0	15.8	3.5	3.6	3.9	4.9	16.0	3.6	3.9	4.3	5.2	17.0	3.7	3.8	4.3	17	
Total red meat & poultry	49.5	50.2	51.3	52.4	203.5	48.5	49.7	50.3	52.9	201.6	50.8	51.8	53.7	54.5	210.8	52.9	53.9	54.8	54.8	214.5	53.1	53.7	54.9	217.5	
Eggs, number	64.2	63.3	64.5	66.0	258.0	65.5	66.1	67.1	68.4	267.1	65.2	62.3	61.1	64.5	253.0	66.1	66.0	67.2	67.5	266.9	66.6	66.4	66.5	266.2	
Market prices																									
Choice steers, 5-area Direct, \$/cwt	125.52	124.95	122.30	130.77	125.89	146.34	147.82	158.49	165.60	154.56	162.43	158.11	144.22	127.71	148.12	134.81	127.68	113.26	110-114	121.94	109-117	111-121	112-122	112-121	
Feeder steers, Ok City, \$/cwt	141.36	133.12	152.08	161.69	147.06	168.49	188.64	220.90	234.25	203.07	210.31	219.65	208.11	173.59	202.92	155.83	146.49	140.66	138-144	146.00	146-155	146-156	149-159	156-156	
Cutter Cows, National L.E., \$/cwt	77.87	77.46	78.36	76.55	77.56	89.12	98.57	111.27	109.21	102.04	107.61	109.50	103.34	77.80	99.56	73.50	75.87	73.16	69-75	73.63	71-80	80-90	81-91	79-88	
Choice slaughter lambs, San Angelo, \$/cwt	107.53	91.72	94.26	150.97	111.12	166.69	148.99	156.02	162.69	158.60	147.17	140.09	146.23	142.52	144.00	133.33	136.15	137.52	137-143	136.75	135-145	130-140	132-141	132-142	
Natl base cost, 51-52 % lean, live equivalent, \$/cwt	59.03	65.46	70.59	61.11	64.05	68.69	85.40	83.30	66.74	76.03	48.47	53.20	54.59	44.66	50.23	44.63	53.71	49.26	36-38	46.15	38-40	43-47	42-46	39-43	
Broilers, 12 City, cents/lb	103.50	108.60	93.90	92.80	99.70	98.40	113.70	104.60	102.80	104.90	97.00	104.20	83.70	77.20	90.50	84.60	93.00	81.70	74-78	83.80	77-83	80-86	78-85	78-85	
Turkeys, Eastern, cents/lb	96.00	97.70	99.90	105.40	99.80	100.70	105.60	110.20	113.90	107.60	99.60	108.50	126.40	130.10	116.20	114.70	116.50	120.70	120-124	118.50	107-115	108-118	113-123	111-120	
Eggs, New York, cents/doz.	126.90	109.90	119.00	143.00	124.70	142.70	134.60	129.30	162.70	142.30	146.90	170.30	235.70	174.10	181.80	121.50	67.90	71.60	78-82	85.30	72-78	91-99	98-106	93-100	
U.S. trade, million lb																									
Beef & veal exports	557	636	716	680	2,588	583	667	679	643	2,572	523	607	542	594	2,265	534	621	660	655	2,470	570	660	710	2,630	
Beef & veal imports	590	629	515	516	2,250	597	767	765	818	2,947	878	990	890	613	3,371	793	832	750	645	3,020	670	795	645	2,680	
Lamb and mutton imports	49	44	36	44	173	46	49	45	55	195	53	56	46	59	214	68	55	44	52	219	50	47	43	188	
Pork exports	1,216	1,225	1,205	1,341	4,986	1,399	1,342	1,146	1,205	5,092	1,223	1,338	1,173	1,274	5,009	1,223	1,320	1,250	1,400	5,193	1,275	1,350	1,325	5,400	
Pork imports	208	210	229	233	880	213	241	257	301	1,011	279	266	270	300	1,116	293	257	275	315	1,140	295	265	285	1,160	
Broiler exports	1,752	1,865	1,855	1,874	7,345	1,827	1,834	1,858	1,779	7,298	1,624	1,713	1,487	1,496	6,321	1,573	1,607	1,675	1,710	6,565	1,660	1,730	1,750	6,895	
Turkey exports	175	179	192	195	741	159	182	215	219	775	148	123	125	132	529	115	140	150	160	565	140	145	165	630	
Live swine imports (thousand head)	1,326	1,285	1,223	1,113	4,948	1,195	1,216	1,264	1,272	4,947	1,309	1,541	1,371	1,519	5,740	1,475	1,405	1,400	1,520	5,800	1,490	1,375	1,480	5,800	

Note: Forecasts are in bold.

1/ Per capita meat and egg disappearance data are calculated using the Resident Population Plus Armed Forces Overseas series from the Census Bureau of the Department of Commerce.

Source: World Agricultural Supply and Demand Estimates and Supporting Materials.

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Updated 8/14/2016

Dairy Forecasts

	2015		2016					2017			
	IV	Annual	I	II	III	IV	Annual	I	II	III	Annual
Milk cows (thousands) 1/	9,321	9,317	9,319	9,328	9,360	9,380	9,345	9,390	9,395	9,395	9,395
Milk per cow (pounds)	5,503	22,394	5,692	5,828	5,625	5,610	22,755	5,730	5,930	5,740	23,135
Milk production (billion pounds)	51.3	208.6	53.0	54.4	52.7	52.6	212.7	53.8	55.7	53.9	217.3
Farm use	0.2	1.0	0.2	0.2	0.2	0.2	1.0	0.2	0.2	0.2	1.0
Milk marketings	51.0	207.7	52.8	54.1	52.4	52.4	211.7	53.6	55.5	53.7	216.4
Milkfat (billion pounds milk equiv.)											
Milk marketings	51.0	207.7	52.8	54.1	52.4	52.4	211.7	53.6	55.5	53.7	216.4
Beginning commercial stocks	14.1	11.2	13.3	15.6	18.0	16.2	13.3	13.5	14.8	17.0	13.5
Imports	1.6	5.7	2.1	1.6	1.7	1.9	7.2	1.7	1.7	1.8	7.1
Total supply	66.7	224.6	68.3	71.3	72.1	70.4	232.2	68.8	72.0	72.4	236.9
Commercial exports	1.8	8.8	2.2	2.2	2.4	2.2	9.0	2.1	2.4	2.4	9.1
Ending commercial stocks	13.3	13.3	15.6	18.0	16.2	13.5	13.5	14.8	17.0	15.0	12.8
Net removals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic commercial use	51.6	202.5	50.4	51.1	53.5	54.7	209.7	51.8	52.6	55.1	215.0
Skim solids (billion pounds milk equiv.)											
Milk marketings	51.0	207.7	52.8	54.1	52.4	52.4	211.7	53.6	55.5	53.7	216.4
Beginning commercial stocks	14.0	13.1	13.9	14.7	15.3	14.2	13.9	13.5	13.4	14.2	13.5
Imports	1.6	6.0	1.6	1.6	1.6	1.8	6.7	1.6	1.6	1.6	6.4
Total supply	66.6	226.7	68.3	70.4	69.3	68.3	232.2	68.6	70.4	69.5	236.2
Commercial exports	8.7	37.3	8.5	9.7	10.4	9.9	38.5	9.5	10.0	10.4	39.7
Ending commercial stocks	13.9	13.9	14.7	15.3	14.2	13.5	13.5	13.5	14.2	13.5	13.2
Net removals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic commercial use	44.1	175.5	45.2	45.4	44.7	44.9	180.2	45.8	46.2	45.6	183.3
Milk prices (dollars/cwt) 2/											
All milk	17.73	17.12	15.70	14.77	16.80	15.85	15.80	15.35	15.05	15.70	15.55
					-16.90	-16.25	-15.90	-16.05	-16.05	-16.70	-16.45
Class III	15.07	15.80	13.75	13.20	16.20	13.95	14.25	13.70	13.85	14.75	14.20
						-14.35	-14.35	-14.40	-14.85	-15.75	-15.10
Class IV	16.28	14.35	13.18	13.18	14.60	13.60	13.60	13.55	13.70	13.80	13.70
						-14.10	-13.80	-14.35	-14.80	-14.90	-14.70
Product prices (dollars/pound) 2/											
Cheddar cheese	1.634	1.645	1.517	1.454	1.735	1.505	1.550	1.465	1.470	1.560	1.510
						-1.545	-1.560	-1.535	-1.570	-1.660	-1.600
Dry whey	0.233	0.380	0.243	0.252	0.290	0.310	0.270	0.325	0.335	0.335	0.335
						-0.330	-0.280	-0.355	-0.365	-0.365	-0.365
Butter	2.648	2.067	2.067	2.080	2.205	1.825	2.040	1.800	1.835	1.885	1.855
						-1.895	-2.070	-1.900	-1.965	-2.015	-1.975
Nonfat dry milk	0.841	0.902	0.766	0.760	0.860	0.925	0.825	0.930	0.935	0.925	0.925
						-0.965	-0.845	-0.990	-1.005	-0.995	-0.995

1/ Simple averages of monthly prices. May not match reported annual averages.

2/ Simple averages of monthly prices calculated by the Agricultural Marketing Service for use in class price formulas. Based on weekly USDA National Dairy Products Sales Report.

Sources: USDA National Agricultural Statistics Service, USDA Agricultural Marketing Service, USDA Foreign Agricultural Service, and USDA World Agricultural Outlook Board.

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